



October 12, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 3617 – Distribution Rate Plan – Refund of Customer Credit

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company, d/b/a National Grid (“National Grid” or “Company”) are ten (10) copies of the Company’s request to extend to the end of the year the per kWh Customer Credit currently being applied to customer bills for usage during the twelve month period of November 2004 through October 2005.

Pursuant to terms of the Distribution Rate Plan, Second Amended Stipulation and Settlement dated October 15, 2004 (the “Docket 3617 Settlement”), effective November 1, 2004, approved by the Commission in Order No. 18037, the Company began refunding to its distribution customers a net credit estimated at \$22,769,000 (the “Customer Credit”).¹ This net credit related to customers’ share of excess earnings, exogenous event impacts and low income expansion lost revenue offsets pursuant to the terms of the Company’s Third Amended Stipulation and Agreement dated March 14, 2000 and approved by the Commission in Docket 2930 (“Merger Settlement”) along with accrued service quality penalties for the years 2000 through 2003. Details of this estimated amount were included in Exhibit 8 of the Docket 3617 Settlement.

On May 2, 2005, pursuant to Section 7(C)(1) of the Docket 3617 Settlement, the Company filed a report with the Commission reconciling estimated amounts included in the Customer Credit to actual amounts (“May 2 Report”). As detailed in the May 2 Report, the updated Customer Credit, including the Deferred Implementation credit, totaled \$27,638,000.

¹ Pursuant to R.I.G.L. 42-98-1.1, the Cities of Providence and East Providence have exercised their rights to forego the current receipt of the Customer Credit by National Grid’s customers residing in those communities, opting rather to use those communities’ allocated share of the Customer Credit to fund a portion of the undergrounding costs of the Company’s E-183 transmission line. In the event that this undergrounding project is not undertaken or the Company receives alternative funding sources for the project, the Company shall notify the Cities and implement that portion of the Customer Credit not otherwise used to fund the undergrounding project for the Company’s customers in those communities.

The difference between the original estimate and this update is an additional \$4,869,000 due to customers.

Under the terms of the Docket 3617 Settlement, the per kWh Customer Credit would terminate for usage on and after November 1, 2005. The Company would reconcile the amount which should have been refunded to customers during the twelve month period of \$22,769,000 against the amount actually refunded and in this reconciliation, and together with the incremental Customer Credit amount of \$4,869,000 from the May 2 Report, would file for a rate adjustment to become effective on January 1, 2006 to credit to customers the amount due to them at this time over the following twelve month period.

However, in light of the recent increase in the Standard Offer rate approved by the Commission for October 1, 2005 and the increase in the Customer Credit contained in the May 2 Report, the Company believes it would be appropriate to extend the current per kWh Customer Credit through the end of 2005 to provide the benefit of the Customer Credit for an additional two months.² As shown in Attachment 1 to this letter, by increasing the Customer Credit by \$4,869,000 and extending the per kWh to usage through December 31, 2005, the Company estimates that a small balance of \$209,000 will remain.

This remaining balance will be adjusted for the actual benefit associated with Bonus Depreciation for 2004, as this benefit is not known at this time. After billing of the per kWh Customer Credit is complete and the 2004 Bonus Depreciation benefit is determined, the Company shall make a final accounting to the Commission and a proposal for the ultimate resolution of the remaining balance.

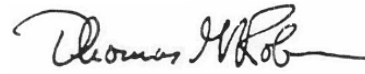
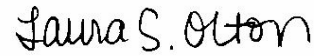
Pursuant to Commission Rule of Practice and Procedure 1.10(b)(1) providing for the waiver of a Commission rule, the Company respectfully requests a waiver from Commission Rules of Practice and Procedure 1.3(e), 1.9(c)(2), and 1.9(c)(3), which provide that no rate change shall occur except after thirty (30) days notice to the Commission and the public, pursuant to R.I.G.L. §39-3-11. In this request, the Company notes that rather than changing rates, the proposal to extend existing rates avoids the need for a rate change. In addition, the rates which the Company is requesting to be extended are reflected as credits on customers' bills and therefore the Company is requesting to extend the benefit provided by these credits for an additional two months.

² As was the case with the current per kWh Customer Credit, the Customer Credit adjustment factor that otherwise would have been allocated to the Company's customers in the Cities of Providence and East Providence will be retained by the Company and used to support the undergrounding of the Company's E-183 transmission line, as described in footnote 1 of this report.

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Thank you for your attention to this filing. If you have any questions regarding this filing, please do not hesitate to contact me at (508) 389-2877.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas G. Robinson". The signature is fluid and cursive, with a long horizontal stroke at the end.A handwritten signature in black ink, appearing to read "Laura S. Olton". The signature is more formal and legible than the one above, with clear capital letters.

Thomas G. Robinson
Laura S. Olton

Enclosure

cc: Docket 3617 Service List
Steve Scialabba, RI Division

THE NARRAGANSETT ELECTRIC COMPANY
Customer Credit Refund

	<u>Month</u>	<u>Beginning Balance</u> (1)	<u>Credit</u> (2)	<u>Prov/Eprov Credit</u> (3)	<u>Adjustments</u> (4)	<u>Ending Balance</u> (5)
*	Nov-04	(\$22,769,000)	(\$521,968)	(\$105,418)	(\$61,057)	(\$22,080,557)
	Dec-04	(\$22,080,557)	(\$1,546,011)	(\$408,713)	\$0	(\$20,125,833)
	Jan-05	(\$20,125,833)	(\$1,580,047)	(\$427,880)	\$0	(\$18,117,906)
	Feb-05	(\$18,117,906)	(\$1,517,078)	(\$397,972)	\$0	(\$16,202,856)
	Mar-05	(\$16,202,856)	(\$1,534,408)	(\$408,178)	\$0	(\$14,260,270)
	Apr-05	(\$14,260,270)	(\$1,369,881)	(\$374,101)	\$0	(\$12,516,288)
	May-05	(\$12,516,288)	(\$1,263,543)	(\$349,845)	\$4,869,000	(\$15,771,901)
	Jun-05	(\$15,771,901)	(\$1,393,648)	(\$377,789)	\$0	(\$14,000,463)
	Jul-05	(\$14,000,463)	(\$1,658,790)	(\$438,050)	\$0	(\$11,903,624)
	Aug-05	(\$11,903,624)	(\$1,839,305)	(\$471,990)	\$0	(\$9,592,329)
	Sep-05	(\$9,592,329)	(\$1,776,475)	(\$489,087)	\$0	(\$7,326,767)
	Oct-05	(\$7,326,767)	(\$1,498,389)	(\$422,623)	\$0	(\$5,405,756)
	Nov-05	(\$5,405,756)	(\$1,478,676)	(\$417,062)	\$0	(\$3,510,017)
	Dec-05	(\$3,510,017)	(\$1,618,477)	(\$456,493)	\$0	(\$1,435,047)
**	Jan-06	(\$1,435,047)	(\$956,351)	(\$269,740)	\$0	(\$208,955)
			(21,553,047)	(5,814,941)		

* Estimated revenue for consumption on and after November 1, 2004

** Estimated revenue for consumption prior to January 1, 2006

Column Notes:

- (1) Column (5) of previous month
- (2) For the period November 2004 through September 2005, actual amount refunded per Company revenue report; for the period October 2005 through January 2006, credit amount is estimated based on forecasted kWh deliveries.
- (3) Estimated share of credit based on usage of customers in Providence and East Providence; amount to be used to fund undergrounding of the E-183 transmission line pursuant to the settlement agreement in Docket 3617.
- (4) Adjustments:
 - Nov 2004: Company share of Navy credit pursuant to agreement in Docket No. 3551
 - May 2005: Reconciliation of Customer Credit per May 2, 2005 filing
- (5) Column (1) - Column (2) - Column (3) - Column (4)